

News Release . . .

U.S. Senator Ron Wyden

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**Hearing of the Senate Committee on Commerce, Science & Transportation
"An Overview of the Enron Collapse"
Remarks of U.S. Senator Ron Wyden**

"Because of what happened at Enron, there are Oregon families going to grief counseling rather than holiday parties this year. These are Oregonians who lost retirement security because as Enron's stock plunged like the Titanic, in effect the senior executives on the deck locked the workers in the boiler room, preventing them from selling off 401(k) shares while they dumped their own.

"What is especially unsettling is that there is a law on the books today that was designed to prevent the sort of carnage that took place at Enron. I wrote this law, which is called the Financial Fraud Detection and Disclosure Act, so that there would be new, stiffer requirements on accountants to search for fraud at publicly held companies like Enron and disclose it when they found it.

"I intend to withhold my judgment on this case until the Security and Exchange Commission and criminal investigators have completed their inquiry, but given what is already on the record, it sure doesn't look like much was done to detect and disclose the very conduct that the Financial Fraud Detection and Disclosure Act was designed to root out.

"For example, the Financial Fraud Detection and Disclosure Act requires that every audit includes procedures designed to detect illegal acts and specifically identify related party transactions that are essential to the integrity of the financial statements. Here there were clearly related party transactions that had financial hide-and-seek written all over them and the auditors failed to have procedures in place to identify them. When Enron's Chief Financial Officer set out a special purpose entity funded primarily with Enron stock bought at a discount, while continuing to serve as an officer of Enron that should have set off the warning lights required by the law.

"Certified financial statements are not supposed to be a game of financial hide-and-seek and our review should play particular attention to how it was that Enron transactions big enough to bring down this financial house of cards were not big enough to be clearly and visibly reported by the auditors."

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